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Message Text

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PAGE 01 CAIRO 06380 101752Z

73
ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W
---------- 048192
R 101601Z MAY 76
FM AMEMBASSY CAIRO
TO SECSTATE WASHDC 3327

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EXDIS

FOR DEPUTY SECRETARY FROM AMBASSADOR

E.O. 11652: N/A
TAGS: EFIN, EAIR, EGEN, EG, US
SUBJECT: TWA AND PANAM TRANSFER OF SURPLUS POUNDS

REF: (A) CAIRO 5943, (B) CAIRO 6287, (C) CAIRO 6291

1. LEST YOU MAY HAVE LEFT CAIRO WITH IMPRESSION THAT TWA/PANAM ARREARAGES AND FUTURE FARES PROBLEMS ARE VIRTUALLY RESOLVED, AS ABU ISMAIL AND SARRAF CONTENDED, IT TURNS OUT THAT THIS IS FAR FROM THE CASE. NOT ONLY WE, BUT EUROPEAN DIPLOMATIC COMMUNITY IS MUCH EXERCISED ABOUT GOE'S SHARP DEALINGS ON THESE MATTERS. REFTELS B AND C SET FORTH IN DETAIL LATEST STATUS OF THESE MATTERS, SUMMARY IS GIVEN BELOW:

2. YOU WILL RECALL THAT WHEN I MENTIONED WE HAD BEEN INFORMED LUFTHANSA HAD BEEN AUTHORIZED TO TRANSFER LE 2 MILLION, ABU ISMAIL AND SARRAF BOUTH STOUTLY DENIED THIS WAS THE CASE. SARRAF CLAIMED THAT LUFTHANSA HAD TRANSFERRED ONLY LE 300 THOUSAND. WE NOW HAVE ORIGINAL INFORMATION RECONFIRMED TO US. ACCORDING TWA, WHEN QUERIRED BY HIS IATA COLLEAGUES, LUFTHANSA REP APPARENTLY PUBLICLY AFFIRMED AT RECENT GENEVA MEETING THAT, AS A "GESTURE OF GOOD WILL" RELATED TO THE SADAT VISIT TO FRG, GOE
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HAD AUTHORIZED COMPANY TO TRANSFER UP TO LE 2 MILLION,

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BUT ONLY LE 800 THOUSAND --REPRESENTING ALL OF
LUFTHANSA'S ARREARAGES--HAD IN FACT BEEN TRANSFERRED
AT OFFICIAL RATE. WE HAVE IMPRESSION THAT EGYPTIANS
MAY TECHNICALLY HAVE ASKED LUFTHANSA TO CONVERT AT
PARALLEL MARKET RATE, BUT SUBSIDIZED DIFFERENCE BETWEEN
THAT RATE AND OFFICIAL RATE SO THAT LUFTHANSA BORE NO LOSS
WHATSOEVER.

3. SO FAR AS NEW IATA APPROVED FARE SCHEDULES ARE
CONCERNED, I.E., 12.5 PERCENT SURCHARGE, ALL OF THE
FOREIGN AIRLINES AND THEIR AMBASSADORS ARE UP IN ARMS
ABOUT THIS. THEY ARE CHARGING EGYPTIAN REP DELIBERATELY
MISLED IATA TRAFFIC MANAGERS AT GENEVA MEETING INTO
BELIEVING SUCH A SURCHARGE WOULD ENABLE THEM TO CONVERT
ON PARALLEL MARKET WITHOUT ANY LOSS. THIS IS
MANIFESTLY UNTRUE AND FOREIGN AIRLINES WILL LOSE
ANYWHERE BETWEEN 30 AND 50 PERCENT THROUGH THIS
PROCEDURE. HOW THE ENTIRE PANOPLY OF FOREIGN
AIRLINES REPS PRESENT AT GENEVA MEETING, INCLUDING
TWA, COULD HAVE BEEN SO HOODWINKED AND AGREED IS
INCOMPREHENSIBLE. SOLE EXPLANATION DISCOMFITTED
AIRLINES REPS HERE CAN GIVE IS THAT MEETING WAS FOR
TRAFFIC, NOT FINANCIAL REPS. THEY ALSO CHARGE EGYPTIAN
REP FAILED GIVE PRIOR NOTICE OF HIS PROPOSAL TO BOARD OF
FOREIGN AIRLINES REPS IN CAIRO AS IS REQUIRED. I UNDERSTAND
SOME OF THE AIRLINES ARE SEEKING TO REOPEN THE FARE QUESTION
AT THE UPCOMING IATA MEETING IN LONDON IN MID-JUNE.

4. AS YOU WILL RECALL, I RESERVED THE RIGHT TO
RAISE THE MATTER AGAIN WITH ABU ISMAIL IF TWA/PANAM
ARE NOT SATISFIED WITH THE ARREARAGES CONVERSION
IDEA PUT FORTH BY SARRAF. THEY ARE NOT. HENCE,
I INTEND TO SEE ABU ISMAIL NEXT WEEK OR SO AND
LET HIM KNOW THE PROPOSED ARRANGEMENTS ARE NOT
CONSISTENT WITH GOE'S HANDLING OF LUFTHANSA AND
ARE THEREFORE DISCRIMINATORY. I WILL URGE HIM TO
REVIEW MATTER WITH THE VIEW TO TREATING TWA/PANAM
EQUITABLY AND ON THE SAME BASIS AS LUFTHANSA.
(UNFORTUNATELY, SWISS AIR, APPARENTLY BEING
DESPERATE FOR CASH, CONVERTED ITS LE 2 MILLION
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BALANCE AT PARALLEL MARKET RATE, BUT I DO NOT
REGARD THIS AS ACCEPTABLE PRECEDENT.) SO FAR AS
NEW FARES ARE CONCERNED, INITIATIVE TO REOPEN
QUESTION MUST CLEARLY COME FROM FOREIGN AIRLINES.
ONLY THEN CAN WE GIVE SUPPORT, ALTHOUGH I INTEND TO
TELL ABU ISMAIL OF THE AIRLINES DISTRESS AT THE WAY
THE NEW FARE WAS HANDLED. UNDERSTAND THAT TWA
FINANCIAL VP PLANS VISIT CAIRO SOME TIME LATER THIS

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MONTH TO DISCUSS THE WHOLE QUESTION.
EILTS

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: AIRLINES, AIR FARES
Control Number: n/a
Copy: SINGLE
Draft Date: 10 MAY 1976
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: SmithRJ
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976CAIRO06380
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760180-0816
From: CAIRO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760573/aaaackop.tel
Line Count: 117
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION SS
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: EXDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: EXDIS
Reference: 76 CAIRO 5943, 76 CAIRO 6287, 76 CAIRO 6291
Review Action: RELEASED, APPROVED
Review Authority: SmithRJ
Review Comment: n/a
Review Content Flags:
Review Date: 07 MAY 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <07 MAY 2004 by greeneet>; APPROVED <09 SEP 2004 by SmithRJ>
Review Markings:

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US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: TWA AND PANAM TRANSFER OF SURPLUS POUNDS
TAGS: EFIN, EAIR, EGEN, EG, US, TWA, PANAM
To: STATE
Type: TE
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